

PUBLIC DISCLOSURE

February 8, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

BANKMALDEN, A CO-OPERATIVE BANK

**ONE SALEM STREET
MALDEN, MA 02148**

**DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting its needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **BankMalden, A Co-operative Bank ("BankMalden" or the "Bank")** prepared by the Division, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "SATISFACTORY"

The overall rating of Satisfactory is based on BankMalden's willingness to lend to low and moderate- income individuals within its assessment area. Additionally, the Bank has made the majority of its Home Mortgage Disclosure Act ("HMDA") reportable loans inside its assessment area.

The net loan-to-deposit analysis indicated an average ratio of 84.7 percent over the prior eight quarters beginning March 31, 2003 through December 31, 2004. The ratio has fluctuated slightly over this time period and currently stands at 95.0 percent. The Bank's net loan-to-deposit ratio is considered to meet the standards for satisfactory performance.

An analysis of HMDA originations by income of borrowers for 2003 and 2004 inside the Bank's assessment area indicated that 27.5 percent of the Bank's loans were granted to low and moderate- income individuals. This is considered to meet the standards for satisfactory performance.

Based on the 2003 and 2004 HMDA Loan Application Register ("LAR") data, 62.1 percent of the Bank's residential loans were originated within its assessment area. In addition, 66.2 percent of the dollar amount was extended within the Bank's assessment area. This level of lending within the assessment area is considered to meet the standards for satisfactory performance.

The Bank's assessment area is made up of Middlesex County, Norfolk County, and Suffolk County. Based on the analysis of the geographic distribution of loans, the Bank meets the standards for satisfactory performance.

There were no complaints received by the Bank pertaining to its CRA performance and the fair lending examination revealed no evidence of discriminatory or illegal credit practices. The Bank meets the standards for satisfactory performance with regards to this criterion.

PERFORMANCE CONTEXT

Description of Institution

BankMalden was established in 1925 and was previously known as Telecom Cooperative Bank. The original primary purpose for which the Bank was set up was to serve the savings and credit needs of telephone company workers and their families and friends. Since its name change and relocation from Boston to Malden in 2002, the Bank's management team has been striving to expand the Bank's customer base from telephone workers to a more community base. As of December 31, 2004, the Bank had total assets of \$45,910,000, of which 70.2 percent were in the form of loans. The Bank is primarily a residential lender with 82.2 percent of its total portfolio consisting of loans on 1-4 family residential properties.

Refer to the following table for additional information on the breakdown of loans.

LOAN TYPE	AMOUNT 000's	PERCENT
1-4 Family Residential	\$ 26,595	82.2
Multi-family & Nonfarm nonresidential real estate	\$ 2,532	7.8
Equity Lines of Credit	\$ 1,194	3.7
Commercial & Industrial	\$ 810	2.5
Construction & Land Development	\$ 640	2.0
Consumer	\$ 298	0.9
Other	\$ 301	0.9
GROSS LOANS	\$ 32,370	100.0

Source: December 31, 2004 Call Report

BankMalden operates one full service office, which is located at One Salem Street in downtown Malden. Banking hours are Monday through Wednesday 8:30 AM to 4:00 PM with extended hours on Thursday and Friday until 5:30 PM. Hours appear to be convenient and similar to other area institutions.

The examiners used PCI Services, Inc., CRA Wiz, to generate aggregate HMDA reports when comparing BankMalden to other HMDA lenders throughout its assessment area.

The Bank was last examined for compliance with CRA by the Federal Deposit Insurance Corporation ("FDIC") on October 22, 2002. That examination resulted in a Satisfactory rating. The Division conducted a CRA examination on February 5, 1999. That examination also resulted in a Satisfactory rating.

Description of Assessment Area

BankMalden has defined its assessment area as Middlesex County, Norfolk County, and Suffolk County. In 2003 these counties were located in four Metropolitan Statistical Areas ("MSA"s). The majority of the assessment area was located in the Boston MSA. The northern portion of Middlesex County was located in the Lowell MSA. The Fitchburg/Leominster and the Brockton MSAs each contained one census tract of the assessment area. The MSA designation changed in 2004 and the Bank's assessment area is now located in the Cambridge-Newton-Framingham, MA Metropolitan Division ("MD"), and the Boston-Quincy MA MD.

Assessment Area Demographics

The Bank's assessment area encompasses 594 census tracts. Of these census tracts, 52 or 8.8 percent are low-income, 144 or 24.2 percent are moderate-income, 246 or 41.4 percent are middle-income, 151 or 25.4 percent are upper-income, and 1 or 0.2 was considered as N/A.

Housing information obtained from CRA WIZ, based on 2000 census data, indicated that there are 1,124,355 housing units within the assessment area, of which 54.7 percent are owner-occupied. Refer to the following table for more information.

Geographic Income Category	Percentage					
	Census Tracts	Households	Housing Units	Owner- Occupied	Rental Units	Vacant Units
Low	8.8%	5.6%	5.7%	16.4%	78.0%	5.6%
Moderate	24.2%	24.2%	24.3%	34.2%	62.2%	3.6%
Middle	41.4%	43.8%	43.6%	60.7%	36.6%	2.7%
Upper	25.4%	26.4%	26.4%	71.9%	25.1%	3.0%
N/A	0.2%	0.0%	0.0%	-	-	-
Total	100.0%	100.0%	100.0%	-	-	-

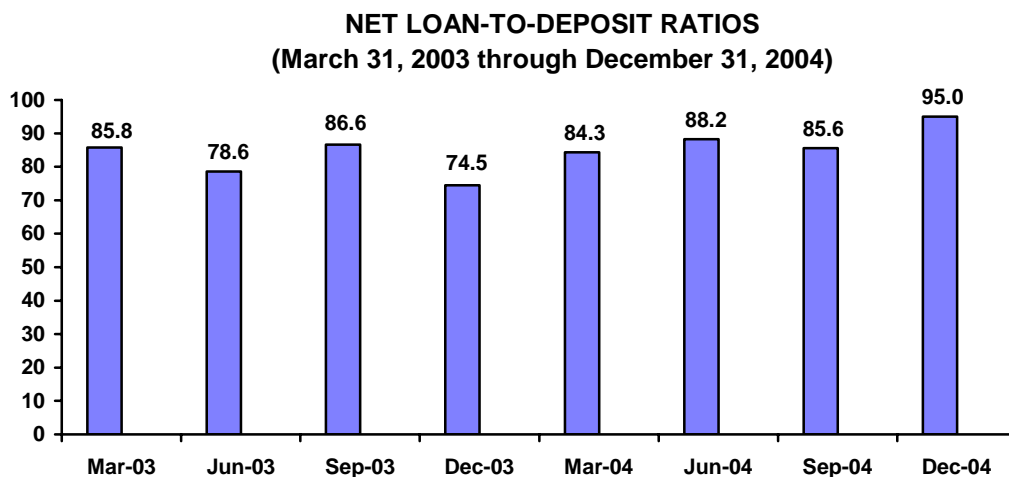
Source: 2000 U.S. Census

As indicated in the above table, 16.4 of the housing units in low-income tracts are owner-occupied, while 78.0 percent are rental units, and 5.6 percent are vacant units. Within moderate-income census tracts, 34.2 percent of the units are owner-occupied, and 3.6 percent are vacant units.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

A comparative analysis of BankMalden's quarterly net loan-to-deposit ratios for the period of March 31, 2003 through December 31, 2004, was conducted during this examination. Using the Bank's quarterly Call Reports, the average net loan-to-deposit ratio for this period is 84.7 percent. This ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses (ALLL) as a percentage of total deposits. The following graph is provided for further analysis.



The net loan to deposit ratio stood at 95.0 percent as of December 31, 2004, the highest point over the past two years. A comparison of the dollar amount for the Bank's loans and deposits as of March 31, 2003 was compared to that of December 31, 2004. This comparison revealed that loans have increased by \$3,603,000 or 12.6 percent, while deposits for the same period remained stagnant.

BankMalden sells thirty-year fixed rate loans to the Federal Home Loan Bank. During 2003 and 2004, Bank Malden sold nine loans totaling \$1,897,420.

Based upon the information above, the net loan-to-deposit ratio is considered to meet the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

A review of BankMalden's LARs for 2003 and 2004 was conducted during the examination to determine the amount of credit extended within the Bank's assessment area. During this period, the Bank originated 103 HMDA reportable loans totaling \$27,274,000. All originated loans were for purchased and refinanced properties, as well as home improvements. A total of 64, or 62.1 percent of all HMDA reportable loans were

PERFORMANCE CRITERIA (CONTINUED)

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S) (CONTINUED)

originated within the Bank's assessment area. Additionally by dollar amount, the Bank originated 66.2 percent of HMDA loans within its assessment area.

Refer to the following tables for additional information.

HMDA LOANS BY NUMBER OF ORIGINATIONS

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2003	41	61.2%	8,868	62.4%	26	38.8%	5,352	37.6%
2004	23	63.9%	9,190	70.4%	13	36.1%	3,864	29.6%
Total	64	62.1%	18,058	66.2%	39	37.9%	9,216	33.8%

Source: 2003 and 2004 HMDA DATA

As illustrated in the tables above, a majority of the number of mortgage loans and the dollar amount of loans extended were within the Bank's assessment area. Although the assessment area is large, BankMalden recently moved to Malden and continues to establish a presence within the City. During 2003 and 2004, BankMalden originated three loans within the City of Malden.

Based on the analysis of credit extended inside and outside of the assessment area, the Bank is considered to meet the standards for satisfactory performance.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of HMDA reportable originations extended within the various income levels throughout the assessment area was conducted during the examination. Originations were categorized by ratio of the applicant's reported income to the median family income of the Boston MSA, the Lowell MSA, the Fitchburg/Leominster MSA, and the Brockton MSA for 2003. The MSA designation changed in 2004 and the examiners utilized the Cambridge-Newton-Framingham MA MD and the Boston-Quincy MA MD. The income figures used for the 2003 MSAs in the analysis are located in the following table as well as the 2004 Cambridge-Newton-Framingham MA MD and the Boston-Quincy MA-MD.

PERFORMANCE CRITERIA (CONTINUED)

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS (CONTINUED)

MSA / MA MD	2003	2004
Boston	\$80,800	-
Brockton	\$70,300	-
Fitchburg/Leominster	\$62,100	-
Lowell	\$79,700	-
Cambridge-Newton-Framingham	-	\$88,600
Boston-Quincy	-	\$75,300

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA; moderate income is defined as 50 to 79 percent of the median family income; middle income is defined as income between 80 and 119 percent of the median family income; and upper income is defined as income greater than 120 percent of the median family income.

Refer to the following table for information on the Bank's distribution of credit among borrowers of different income levels.

Distribution of HMDA Reportable Loans Within the Assessment Area to Borrowers of Different Income Levels by Number

Borrower Income Level	Total Households		2003		2004		Total	
	#	%	#	%	#	%	#	%
< 50%	140,185	20.9%	2	4.9%	0	0.0%	2	3.1%
50 – 79%	114,784	17.1%	10	24.4%	5	21.7%	15	23.4%
80 – 119%	143,147	21.3%	9	21.9%	2	8.7%	11	17.2%
> = 120%	273,445	40.7%	16	39.0%	8	34.8%	24	37.5%
N/A	0	0.0%	4	9.8%	8	34.8%	12	18.8%
Total	671,561	100.0%	41	100.0%	23	100.0%	64	100.0%

Source: HMDA/LAR Data for the period 1/1/03 to 12/31/04

As the above table indicates, 3.1 percent of HMDA reportable loans within the Bank's assessment area were made to low-income borrowers, followed by loans to moderate-income borrowers with 23.4 percent, middle-income borrowers with 17.2 percent, and upper-income borrowers with 37.5 percent. The remaining 18.8 percent of the loans were considered as income not available.

The following table shows the number and dollar volume of HMDA reportable loans originated by the Bank to low, moderate, middle and upper-income borrowers in comparison to all other HMDA-reportable lenders in the assessment area in 2003.

PERFORMANCE CRITERIA (CONTINUED)

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS (CONTINUED)

Distribution of HMDA Reportable Loans – Assessment Area BankMalden Compared to All Other Reporters								
Median Family Income Level	Number of Loans				Dollar Amount of Loans			
	BankMalden		All Other Reporters		BankMalden		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
Low	2	4.9%	20,128	5.3%	420	4.7%	2,595,325	2.9%
Moderate	10	24.4%	65,389	17.4%	1,469	16.6%	11,300,429	12.5%
Middle	9	21.9%	95,104	25.2%	1,503	16.9%	19,790,331	22.0%
Upper	16	39.0%	139,581	37.0%	4,433	50.0%	40,274,096	44.8%
NA	4	9.8%	56,880	15.1%	1,043	11.8%	15,982,983	17.8%
Total	41	100.0%	377,082	100.0%	8,868	100.0%	89,943,164	100.0%

Source: HMDA LAR 2003 HMDA Aggregate Data

As shown in the tables above, the Bank's percentage of lending to low-income borrowers is similar to the aggregate by number and dollar amount in 2003. BankMalden originated 4.9 percent by number and 4.7 percent by dollar amount of the total loans within the assessment area to low-income borrowers, compared to the aggregate with 5.3 percent by number and 2.9 percent by dollar amount.

The Bank's HMDA reportable loans originated during 2003 to moderate-income borrowers accounted for 24.4 percent by number and 16.6 percent by dollar amount within the assessment area. Both number and dollar volume are slightly above the aggregate's lending to moderate-income borrowers for 2003 as 17.4 percent by number and 12.5 percent by dollar volume of the aggregate's lending were originated to moderate-income borrowers.

The size of the assessment area and the volume of loans originated are considered in the evaluation.

A review of the distribution of credit to borrowers of various income levels reflects an adequate performance. Therefore, the distribution of credit among borrowers of different income levels meets the standards for satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

An analysis of HMDA reportable loan originations extended within the various census tracts throughout the Bank's assessment area was conducted during the examination. As mentioned in the performance context, the Bank's assessment area is comprised of 594 census tracts, 8.8 percent of which are designated as low-income, 24.2 percent as

PERFORMANCE CRITERIA (CONTINUED)

4. GEOGRAPHIC DISTRIBUTION OF LOANS (CONTINUED)

moderate-income, 41.4 percent as middle-income, 25.4 percent as upper-income, and 0.2 percent as N/A.

The Bank originated 64 HMDA reportable loans within its assessment area from January 1, 2003 through December 31, 2004. Of these 64 loan originations, 3.1 percent were made in low-income census tracts and 21.9 percent were made in moderate-income census tracts. Refer to the following table for additional information.

HMDA ORIGINATIONS BY CENSUS TRACT

CENSUS TRACT	2003		2004		TOTAL	
	#	%	#	%	#	%
LOW	2	4.9%	0	0.0%	2	3.1%
MODERATE	8	19.5%	6	26.1%	14	21.9%
MIDDLE	14	34.1%	10	43.5%	24	37.5%
UPPER	17	41.5%	7	30.4%	24	37.5%
TOTAL	41	100.0%	23	100.0%	64	100.0%

Source: HMDA/LAR Data – 2003 & 2004

Based on the analysis of the geographic distribution of loans, the Bank meets the standards for satisfactory performance in generating originations from all segments of its assessment area.

5. REVIEW OF COMPLAINTS/FAIR LENDING

BankMalden has not received any complaints that were related to its CRA performance since the previous examination. BankMalden's record of implementing and developing fair lending policies is considered to meet the standards for satisfactory performance.

Minority Application Flow

The LARs for 2003 and 2004 were reviewed to determine if the application flow from the different racial groups within the Bank's assessment area was reflective of the area's demographics. Demographic data from the 2000 US Census showed that 77 percent of the persons in the assessment area are white; 23 percent minority.

Of the 64 HMDA reportable applications received from within the Bank's assessment area, 68.7 percent were from white applicants, 8.9 percent were from minority applicants, and 22.4 percent the race was not available. These figures are consistent with peer data which showed that 63 percent of total applications were received from white applicants, 12 percent from minority applicants, and 17 percent the race was not provided. All applications received from minority applicants were approved by BankMalden.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

BANKMALDEN, A CO-OPERATIVE BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **February 8, 2005**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (One Salem Street, Malden, MA 02148)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.